

The Mediterranean Solar Plan through the Prism of External Governance

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Abstract

Through the prism of external governance, this paper investigates the emergence of the Mediterranean Solar Plan (MSP) as an external mode of sectoral governance and its actual capacity to cope with the regulatory gap-problem between the European Union (EU) and Mediterranean Partner Countries (MPCs). Although network forms of energy governance generally prevail in the EU and the Mediterranean region, the solar plan emerges as a very loosely institutionalized form of market governance in which political interaction and outcomes are the result of inter-MPCs competition over external funding. This paper shows that competitive pressure at best unleashes a reform dynamic in which individual MPCs undertake partial regulatory and institutional reforms in order to 'lock in' funding and long-term power purchase agreements. But, market governance under the Mediterranean Solar Plan is far to provoke a region-wide renewable energy transition. The discontinuity between the internal-external mode of energy governance and external governance under the Mediterranean Solar Plan is attributed to early choices of key member states (France and Germany) within the making of the Union for the Mediterranean (UfM) - facts that ultimately impacted on the resulting sectoral patterns of external governance, thus constraining the potential and limits of the Mediterranean Solar Plan to reduce the EU-MPCs regulatory gap.

Keywords: EU external governance, renewable energy, Mediterranean Solar Plan, Middle East and North Africa

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1. Introduction

The European Union (EU) devotes significant effort and resources to cope with the energy-climate problem. Today, energy-related carbon dioxide emissions amount to nearly 80 percent of European greenhouse gas emissions.¹ This picture does not get any better if one considers that EU energy demand increases every year (although at a relatively slow pace) along with EU import dependency on fossil fuels. According to data of the European Commission, in 2005 a 76 percent of the EU total primary energy demand was covered by fossil fuels – that is, climate unfriendly energy sources.² A 68 percent of these fossil fuels was imported from non-EU countries.³ In a baseline scenario for 2020, nearly 78 percent of the EU total primary energy demand will be covered by fossil fuels of which an 84 percent will be imported from non-EU countries.⁴ In response to these concerns, the Union adopted an integrated energy and climate policy approach at the European Council in March 2007 and is presently implementing new EU-level policies to reach its ambitious objectives to reduce greenhouse-gas emissions by 20% below 1990 levels, lessen energy consumption by 20% through increased energy efficiency, and raise the share of renewable energy in the EU's energy mix to 20% by 2020.

In this context, the EU launched the Mediterranean Solar Plan (MSP) as one of the priority projects of the Union for the Mediterranean (UfM) at the Paris Summit in July 2008. This project-oriented foreign policy initiative aims to cope with the energy-climate problem at interregional level and adds another '20-objective' to the ground. Its two-fold scope is to (a) develop 20 Gigawatts of installed renewable energy capacity in the Mediterranean region by 2020 along with the necessary electricity transmission capacity and cross-border interconnections and (b) promote energy efficiency policies in this region. With respect to the renewable energy transition goal inherent in the MSP, top officials spelled out a clear message at the European Investment Bank's eighth FEMIP (Facility

¹ European Commission (2010), Communication from the Commission. *Energy 2020: A strategy for competitive, sustainable and secure energy*, COM(2010) 639 final, Brussels, page 1.

² Own calculations based on data of the European Commission (2008), Commission Staff Working Document, accompanying the Communication from the Commission. Second Strategic Energy Review: An EU energy security and solidarity action plan. Europe's current and future energy position: demand – resources – investments, COM(2008) 781 final, Brussels, page 65.

³ Ibidem.

⁴ Ibidem.

for Euro-Mediterranean Investment and Partnership) conference and the Mediterranean Solar Plan conference jointly held in Valencia in May 2010. Three are the key barriers to the deployment of the MSP: regulatory, financial, and technical. Interestingly, the actor constellation involved in the MSP has mainly concentrated on assessing the level of maturity of the existing renewable energy projects in the different MPCs, the economic viability of planned projects, and the main technical and financial obstacles concerning their implementation. While many experts and academicians have warned about the importance of closing the regulatory gap between the EU and Mediterranean Partner Countries (MPCs) in order to leverage the attraction of private investment and realise a wide renewable energy transition in the Middle East and North Africa,⁵ this topic has been largely neglected.

Drawing on external governance theories, this paper investigates (i) the emergence of the Mediterranean Solar Plan as an external mode of sectoral governance and the role of agency therein (theory-testing scope), as well as (ii) the actual capacity of the solar plan to thoroughly manage the EU-MPCs regulatory gap-problem and boost a region-wide institutional and regulatory reform dynamic (policy-oriented scope). As it will be shown in this paper, there is a discrepancy between the internal-external mode of sectoral governance and the specific mode of interaction under which the Mediterranean Solar Plan is framed. While network governance prevails in the former two levels (internal-external), market governance takes centre stage in the MSP. This paper will explain this discrepancy with an eye at the role of member states within EU policy-making processes. More in detail, member states are conceived of

⁵ European Investment Bank (2010), *FEMIP Study on the Financing of Renewable Energy Investment in the Southern and Eastern Mediterranean Region*, Luxembourg, page 17, available at http://www.eib.org/attachments/country/study_msp_en.pdf (accessed on 26 November 2010). M. Mason (2009), 'Clean Power from the Deserts? The Prospects for a Renewable Energy Transition for the Middle East and North Africa', Paper presented at the *GCREEDER 2009*, Amman, March 31-April 2 2009. J.M. Marín and G. Escribano (2010), 'The Mediterranean Solar Plan: Opportunities and Limits for Integration and Development', in *IEMed Mediterranean Yearbook Med.2010*, European Institute of the Mediterranean, Barcelona, pages 220-22, available at http://www.iemed.org/anuari/2010/aarticles/Marin_Escribano_Solar_en.pdf. Resources and Logistics (2010), *Identification Mission for the Mediterranean Solar Plan*, Final Report, ENPI-FWC Beneficiaries Lot 4-N° 2008/168828, Brussels, page 65. I. Werenfels and K. Westphal (2010), 'Solar power from North Africa. Frameworks and Prospects', *SWP Research Paper 2010/RP 03*, SWP, Berlin, page 16. G. Escribano (2010), 'Convergence towards differentiation: the case of Mediterranean energy corridors', *Mediterranean Politics* 15(2): 211-29.

as strategic actors who bump in institutions and seek to mould particular aspects of external governance according to their own interests. However, this is not without costs. This paper will illustrate that early choices of key member states (France and Germany) within the making of the UfM had remarkable implications in external governance under the MSP – facts that ultimately constrain the potential and limits of the solar plan to reduce the above regulatory gap-problem. Market governance under the MSP at best unleashes a reform dynamic in which MPCs undertake partial regulatory and institutional reforms in order to ‘lock in’ scarce external funding and long-term power purchase agreements. But, these forms of competitive pressure are far to provoke a wide renewable energy transition in the Mediterranean region.

This paper proceeds in three steps. It briefly introduces the theoretical base of the enquiry. It then explores the continuities and discontinuities between the internal mode of energy governance, the prevailing external mode of energy governance in the Mediterranean region and the specific mode of interaction under which the solar plan is framed. It finally scrutinizes the reasons for this variation and unravels the ensuing structural limits of the Mediterranean Solar Plan in tackling the EU-MPCs regulatory gap-problem.

2. The prism of external governance

EU external governance is a flourishing research theme with deep roots in debates in international relations and comparative politics. The term “governance” implies a system of rules which exceeds the voluntarism of cooperation, and can be defined as being less than “government” but more than “cooperation”.⁶ When applied to EU external relations, studies of external governance refuse the projection of the unitary state actor model on to the European Union and move to examines more structural processes of norm diffusion and policy transfer to third countries and international organizations.⁷ By so doing, external governance analysis has greatly contributed to a better understanding of EU external relations by capturing the sectorally fragmented, differentiated, expanding scope of EU rules, policies and institutions to third countries.

⁶ Lavenex, S. (2008), ‘A governance perspective on the European neighbourhood policy: integration beyond conditionality?’, *Journal of European Public Policy*, 15(6), page 940.

⁷ Lavenex, S. and Schimmelfennig, F. (2009), ‘EU rules beyond EU borders: theorizing external governance in European politics’, *Journal of European Public Policy*, 16(6), page 794.

The bulk of this literature, which has mostly dealt with enlargement to Central and Eastern European countries and with neighbouring policies and regions, has investigated (a) the modes of external governance, i.e. the modes in which the EU interact with and seeks to extend its rules, policies and institutions to third countries as well as (b) the effectiveness of external governance, i.e. the conditions under which EU efforts at expanding governance beyond EU borders prove to be effective at the levels of rule selection in international agreements and negotiations, rule adoption in third countries' domestic legislation and rule application in the target countries.⁸ For the sake of clarity, this paper relates to the former pattern of research – thus investigating the modes of external governance, and primarily the EU roots and dynamics behind their emergence. The study of effectiveness is left aside because of the too recent inception of the MSP.

The underlying assumption of external governance theories is that interdependence problems between political units (here the EU and MPCs) generate demand for governance. This means that modes of external governance can be conceived of as structures through which political units manage this interdependence.⁹ More concretely, the modes of external governance can be described as institutional forms of interaction with third countries through which the EU seeks to expand its regulatory and organizational boundaries beyond EU borders. Shifts in the *regulatory boundary* pertain to the extension of EU rules and policies to third countries, while shifts in the *organizational boundary* relate to the inclusion of third countries in EU policy-making structures.¹⁰ According to the literature, the modes of external governance create opportunities and constraints on actors' forms of interaction and have implications on the mechanisms of regulatory/organizational boundary expansion.¹¹ In other words, the modes of external governance constrain the boundaries of action and interaction.

To depict the specific features of external governance modes, this paper uses four analytical dimensions developed in the literature: actor

⁸ See special issues and articles in *Journal of European Public Policy* (JEPP) (2004), 11(4); JEPP (2008), 15(6); JEPP (2009), 16(6).

⁹ See S. Lavenex, *et. al.* (2009), 'Modes of external governance: a cross-national and cross-sectoral comparison', *Journal of European Public Policy* 16(6), page 814.

¹⁰ Lavenex, S. and Schimmelfennig, F. (2009), 'EU rules beyond EU borders: theorizing external governance in European politics', *op.cit.*, page 796.

¹¹ *Ib.*

constellation, legalization, institutionalization and mechanisms of external governance.¹²

Table 1: Modes of EU external governance¹³

	<i>Hierarchy</i>	<i>Network</i>	<i>Market</i>
Actor constellation			
Direction	Vertical constellation	Horizontal constellation	Horizontal constellation
Type of main actors	EU institutions and third countries' governments	Transgovernmental and transnational networks	Transnational networks and governments
Legalization			
Precision	Same precision as <i>acquis</i>	<i>Acquis</i> but with flexibility	Subject to negotiation
Obligation	Supranational law or legally binding obligations	International law or voluntary agreement	No legally binding obligation
Delegation	Judicial control	Political monitoring	No monitoring
Institutionalization			
Centralization	Tight	Loose	Decentralized
Density	High	Medium	Ad hoc
Exclusiveness	EU agenda	Common agenda	Common agenda
Mechanism of external governance			
	Harmonization	Coordination	Competition

Actor constellation refers to the type of actors (EU institutions, governments, international organizations, transgovernmental networks, agencies, transnational networks and private actors) that are linked to external governance structures as well as the direction of interactions (vertical or horizontal). *Legalization* refers to the way in which systems of rules are linked to external governance modes, and varies according to the three rule criteria: precision (i.e. the degree to which rules attain the conduct of actors) obligation (i.e. the degree to which actors are bound by a rule or a set of rules) and delegation (i.e. the delegation of the authority to implement, interpret and apply rules to third countries).¹⁴

¹² S. Lavenex, *et. al.* (2007), 'Die Nachbarschaftspolitiken der Europäischen Union: zwischen Hegemonie und erweiterter Governance' In Ingeborg Tömmel (ed.) *Die Europäische Union: Governance und Policy-Making* (PVS-Sonderheft 40), Wiesbaden, VS-Verlag: 367-88; S. Lavenex, *et. al.* (2009) "Modes of external governance: a cross-national and cross-sectoral comparison", *op. cit.*, pages 815-16; S. Lavenex and Schimmelfennig, F. (2009), 'EU rules beyond EU borders: theorizing external governance in European politics', *op. cit.*, pages 796-800.

¹³ *Ib.*

¹⁴ S. Lavenex, *et. al.* (2009) "Modes of external governance: a cross-national and cross-sectoral comparison", *op. cit.*, page 815.

Institutionalization refers to the organizational settings that are linked to external governance modes, and varies according to the centralization of institutions, the density of interactions, and the exclusiveness of the agenda. *Mechanisms of external governance* pertain to the ways in which the EU seeks to extend its regulatory and organizational boundaries to third countries, and varies from harmonization, through coordination to competition. External governance structures that emerge between the EU and third countries may vary in these four dimensions. Ideal types depict these differences and range from more legalized, asymmetrical interactions with little room for ‘the ruled’ to negotiate (hierarchy), through more horizontal process-oriented modes of interaction (networks) to very loose, informal and decentralised interactions between political units in which systems of rules have a low centrality (markets). Table 1 summarizes the specific features of these ideal types.

While these analytical dimensions help to describe what external governance modes are and how they work, they do help to explain how external modes of governance do emerge. In this respect, the literature offers some remarkable insights and posits that modes of external governance are shaped by existing EU institutions.¹⁵ By taking a structuralist and functionalist view, here, the EU is seen as a conglomerate of sectoral policy regimes. Going even further, scholars have shown that sectoral modes of external governance generally reflect the corresponding sectoral modes of internal governance.¹⁶ Three are the main reasons why the EU sticks to sectoral modes of internal governance: existing institutions provide a template for action in uncertain policy contexts, or enjoy high legitimacy or might appear as an efficient solution for specific policy problems.¹⁷

However, behind and within existing EU institutions there might be more than meets the eye. What the literature did not asked is who might orient EU external governance towards internal modes of governance and for what purposes. What is the role of actors in the emergence of external governance structures, and what are the implications of this in the resulting scope of EU external governance? Do member states seek to mould specific aspects of external governance in order to defend their own interests? Do the Commission seek to expand its competences via external governance? Given the structural and often a-political focus of

¹⁵ Lavenex, S. and Schimmelfennig, F. (2009), ‘EU rules beyond EU borders: theorizing external governance in European politics’, op.cit., page 802.

¹⁶ S. Lavenex, *et. al.* (2009), ‘Modes of external governance: a cross-national and cross-sectoral comparison’, op. cit.

¹⁷ Supra, footnote 15.

external governance, this specific agency-dimension has been inevitably neglected so far.

To explain the emergence of external governance modes and the role of agency therein, this section develops a structurationist perspective on external governance. This way of portraying external governance is justified by the fact that much of its institutionalist theoretical underpinning is based on the relationship between structure and agency. When it comes to the epistemological choice of how to explain the structure-agency relationship,¹⁸ traditional external governance analysis takes on a structuralist position which sees structures as emerging through functionalist dynamics and constraining agency and the boundaries of interaction. Instead, a structurationist perspective offers a relational solution to the epistemological roots of external governance theorising that actors are capable to mould structures which in turn constrain agency and the resulting courses of interaction. This perspective allows for gaining a sense of understanding on agency in external governance, and links up with the structure-dimension which has been extensively theorised in the extant literature.

This paper therefore applies to two structurationist-based institutionalist accounts: rational choice and historical institutionalism.¹⁹ Rational choice institutionalism sees EU institutions as equilibrium contracts between self-interested member states that in turn alter an essential rational choice model of politics. Historical institutionalism refers to a specific model of politics in which short-time rationalist calculations of strategic actors merge into the cultural dimension of EU institutions capturing day-to-day politics, early choices of member states and the unintended consequences of their actions as well as the ways in which supranational institutions 'seize policy gaps' and expand their

¹⁸ A. Wendt, "The Agent Structure Problem in International Theory", in A., Linklater (2000), *International Relations: Critical Concepts in Political Science*, Routledge, London: 499-534. See also B. Rosamond (2000), *Theories of European Integration*, Macmillan, Basingstoke, 2000, pages 121, 204.

¹⁹ P. Hall and R. Taylor (1996), "Political Science and the Three New Institutionalisms", *Political Studies*, 44: 936-58. ¹⁹ S. J. Bulmer (1997), "New Institutionalism, The Single Market and EU Governance", in *ARENA Working Papers* 97/25. G. Peters (1998), *Institutional Theory in Political Science: The 'New Institutionalism'*, Pinter, London. K. Thelen (1999), "Historical institutionalism in comparative politics", *Annual Review of Political Science*, 2: 369-404. P. Pierson (1996), "The Path to European Integration: A Historical Institutional Analysis", *Comparative Political Studies* no. 29, 1996, pp. 123-163. P. Pierson (2000), "Increasing Returns, Path Dependence and the Study of Politics", *American Political Science Review*, 94(2): 251-67.

competences. In sum, they explain policy-making and the very politics of interaction are seen as an iterative, cumulative and incremental process whose outcomes are rarely optimal. Although the EU most often does not speak with one voice in its external relations, a set of public and private actors (i.e. member state governments, sub-units of member state administrations, the Commission, non-state actors, and transnational networks) directly or indirectly participate in the formation of EU sectoral regimes as well as in EU foreign policy-making.²⁰ On the basis of these approaches, this paper puts forwards the following hypotheses concerning what happens within and behind existing EU institutions:

(a) Within a given interdependence context between political units and a pre-determined institutional environment (i.e. the internal mode of governance in a given domain) at a given time ($t+1$), member states bump in EU institutional venues act strategically and seek to mould peculiar aspects of external governance structures according to their own sectoral preferences. Their choices are the result of similar initial preferences, trade-offs and package deals, and in turn have an impact upon the resulting sectoral patterns of external governance – which enable certain courses of interaction and constrain other courses of interaction between the EU and third countries.

(b) Furthermore, the Commission can influence sectoral modes of external governance in more subtle ways. Taking advantage of the policy gaps generated by past institutional choices, the Commission might use existing EU rules as an internally high legitimate, problem-efficient template for external action with the objective of carving out a role for itself in sectoral dynamics of external governance and expanding its visibility as well as capacity as an international actor. This in turn may facilitate the continuity between internal and external modes of sectoral governance. By doing so, the Commission may also try to avoid the weakening of internal processes of sectoral integration – which in many fields are strictly related to external environments (i.e. energy, migration, etc.).

(c) Going a step behind what happens within EU existing institutions: in policy fields that feature a high technical component, national policy-makers may take into particular account specific sectors of member state administrations (i.e. technocrats) and civil society (i.e. scientists, interest groups) which have relatively strong resources (i.e. know-how, technology, private capitals) to influence the national preference formation. Although this aspect is not central to the present

²⁰ For the sake of clarity, here the focus is on the internal formation of rules and organizational settings with external governance purposes.

analysis, this paper looks at external governance modes with an eye on that too.

3. Through the prism: the Mediterranean Solar Plan as a market mode of external governance

Although renewable energy investment towards the Middle East and Africa increased from \$0,2 billion in 2004 to \$2,5 billion in 2009,²¹ this continent still accounts for less than 1 percent of the global total investment in 2009.²² More exactly, the largest part of this investment within the whole continent went to Egypt with \$490 million for a 200 Megawatt wind project in the Gulf of El Zayt, jointly funded by the European Investment Bank and German development bank KfW.²³ In other words, massive investments will be needed for the deployment of the Mediterranean Solar Plan. Closing the EU-MPCs regulatory gap-problem means to reduce (non-economic) regulatory risks and create the right conditions for leveraging vast investment towards the Mediterranean region.

To disentangle the dynamics of emergence, potential and limits of the Mediterranean Solar Plan as a mode of external governance, this section traces the continuities and discontinuities between the internal mode of energy governance, the prevailing external mode of energy governance in the Mediterranean region and the specific mode of interaction under which the MSP is framed. The empirical analysis refers to the period between 1995 and 2010 and is based on data from several sources, including official documents, technical reports, media articles, literature as well as semi-structured elite interviews²⁴ conducted in Belgium, Turkey, Morocco and Spain in 2009 and 2010. Empirical observations are evaluated through the theoretical prism of external governance.

Internal modes of energy governance

Energy is a policy field in which the lack of a permissive consensus and related divergent interests among member states traditionally precluded

²¹ United Nations Environment Programme (2010), *Global trends in sustainable energy investment 2010: Analysis of the trends and issues in the financing of renewable energy and Energy efficiency*, UNEP-Division of Technology, Industry and Economics, Paris page 19.

²² Ibidem, page 51.

²³ Ibidem.

²⁴ Interviewees were guaranteed full anonymity.

the transfer of legislative power to the supranational organs. Re-emerged at EU level as global problem requiring supranational coordination in the late eighties, network forms of interaction arose in the mid-nineties and progressively brought to the creation of an enduring EU body of energy legislation between 1998 and 2010.

Network governance of energy, however, is not void of hierarchical traits at EU level. In this respect, the European Commission radiates a triple shadow of hierarchy over energy governance: the use of the right of legislative initiative and, in the case of deadlock, the threat of further legislation and of EU competition law.²⁵ Given the silence of the Treaties as well as the opposition of member states to any major developments in this field, the Commission forged a specific *modus operandi* in order to lock energy issues in overlapping policy areas falling under its legislative competence.²⁶ This made the inclusion of the energy sector into the Single Market agenda a reality. Similarly, the Commission reframed energy issues under environmental and external relations policies. Exploiting its formal and informal powers, for a decade and a half the Commission played a pivotal role in the creation of the so called energy related *acquis*.

For good or for worse, the role of member states (and primarily the Franco-German axis) is also very determinant in the formation of EU energy governance and confirms that governance and government play complementary roles in the policy process.²⁷ In this respect, more recent developments deserve specific attention. In response to increasing energy insecurity and climate change concerns, the 2006 Commission's Green Paper set out a three-fold strategy to build up an energy policy for Europe which identified three main objectives for both the internal and external activities: energy sustainability, competitiveness and security.²⁸ Under the German semester of presidency (January-July 2007), the Union adopted an integrated energy and climate change policy approach at the European Council in March 2007. In this, the German government made use of all its resources and seized the opportunity of the presidency semester to act as a breaker. Even after that, it closely followed and sought to influence the negotiations on the climate action and renewable

²⁵ B. Eberlein (2008), 'The Making of the European Energy Market: The Interplay of Governance and Government', *Journal of Public Policy*, 28(1): 73-92.

²⁶ See J. Matláy (1997), *Energy Policy in the European Union*, San Martin's Press, New York.

²⁷ B. Eberlein (2008), op. cit.

²⁸ European Commission (2006), Green paper, *A European Strategy for Sustainable, Competitive and Secure Energy*, COM (2006) 105, Brussels.

energy legislative package (CARE) - later approved in April 2009 - which were aimed at establishing new EU-level policies to reach the 2020 targets. In a similar vein, France and Germany markedly influenced the final outcome of negotiations on the third directive²⁹ on the liberalisation of the gas and electricity markets.³⁰

At the end of the day, the competences of the Commission are still limited, intra-EU energy integration is slowly progressing and the EU does not speak with one voice in its external energy relations. Nevertheless, an EC energy regulatory framework already exists thus providing the templates for the externalization of sectoral governance to third countries. But, who exactly is interested in its externalization and what are the implications of this for external governance?

Only recently, the entry in force of the Lisbon Treaty established a legal basis for a shared competence between the Union and its member states on energy. Energy is to become a more communitarised domain, and the introduction of decision making by qualified majority is having and will have a remarkable weight.

External modes of energy governance in the Mediterranean region

In line with the institutionalist hypothesis argued in the literature, this sub-section illustrates that internal network governance of energy generally shaped the external mode of energy governance in the Mediterranean region and sheds some light on the role of the Commission in this respect.³¹

Until the late nineties and early years of the new century, i.e. when EU energy rules were at best in a nascent phase, the Commission did not go beyond mere attempts at exporting its energy principles to MPCs mainly through the Energy Charter Treaty³² and the Euro-Mediterranean

²⁹ As they also did in the first and second directive.

³⁰ Euractiv (2009), 'Liberalising EU energy sector', 7 July, available at <http://www.euractiv.com/en/energy/liberalising-eu-energy-sector/article-145320> (last accessed on 12 January 2011). See B. Eberlein (2008), op. cit.

³¹ Turkey is included in the study of external governance of energy in the Mediterranean. Although mainly involved in the accession process, Turkey is part of the Euro-Mediterranean Partnership and related energy sectoral programmes; is a member of the Union for the Mediterranean and the Mediterranean Solar Plan.

³² Apart from Turkey which is a full member, Morocco, Algeria, Tunisia, Egypt and the Palestinian National Authority are simply observers. For reviews, see A. Konoplyanik and T. Wälde (2006), 'Energy Charter Treaty and its role in international energy', *Journal of Energy and Natural Resources Law*, 24(4): 523-58.

Energy Partnership.³³ But, the more the EU developed its energy rules the more the Commission made use of them as templates for external energy action towards EU peripheries.³⁴ With the advent of the enlargement rounds and the European Neighbourhood Policy (ENP) and particularly after the adoption of the second legislative package on the liberalisation of the gas and electricity markets in 2003, external energy “cooperation” upgraded to truly external “governance”.³⁵ While enlargement represents a typical case of hierarchical external governance by conditionality,³⁶ attempts at norm-expansion in the neighbourhood mainly take the shapes of functional cooperation. At bilateral level, process-oriented forms of interaction are generally in place across the Mediterranean neighbourhood being they mainly based on soft-law ENP action plans under the Commission’s political monitoring. From the neighbours’ point of view, great importance is attached on keeping sectoral cooperation on an equal footing.³⁷ Interactions between sectoral governance agents are medium and decentralised.³⁸

In two specific cases (Morocco and Turkey), energy network governance structures are in process to be further developed. (a) After earning an ENP advanced status, the European Commission and Morocco signed a joint political declaration on the priorities for energy cooperation in July 2007. Morocco was even included in EU level energy structures such as Intelligent Energy Europe³⁹ through which the Union seeks to promote institutional and regulatory change and pursues more horizontal, flexible and subtle forms of partial sectoral integration below the

³³ Launched in the framework of the Barcelona Process, the Euro-Mediterranean Energy Partnership was created in 1997. Two were the main institutional structures: the Ministerial conferences and the Energy forum at the level of general directors. Cooperation was organised on the basis of three Action Plans (1998-2002; 2003-2007; 2008-2013). The resulting institutionalization was low, with a decentralized and ad-hoc organizational structures. The character of cooperation was purely political and results were uneven.

³⁴ Interviews, EU 31-36.

³⁵ See European Commission (2003), Communication from the Commission. *On the development of energy policy for the enlarged European Union, its neighbours and partner countries*, COM(2003) 262 final/ 2, Brussels.

³⁶ See F. Schimmelfennig and U. Sedelmeier (2004), ‘Governance by conditionality: EU rule transfer to the candidate countries of Central and Eastern Europe’, *Journal of European Public Policy*, 11(4): 661-79.

³⁷ Interview, Morocco 12-30.

³⁸ Interviews, Morocco 12, 25, 26; Interview, EU 33, 45.

³⁹ European Commission and Morocco (2007), *Joint Declaration on priorities for energy cooperation between the European Union and Morocco*, Brussels, page 3.

threshold of membership.⁴⁰ (b) Although involved in the accession process, in late 2008 EU-Turkey energy cooperation switched from hierarchical to more horizontal modes of interaction in order to overcome the lack of an EU strong competence in the energy security sub-field,⁴¹ the politicization of negotiations on the energy accession chapter opening⁴² and the political impasse on Turkey-Cyprus off-shore oil exploration.⁴³ While the politicization of negotiations still hinders the energy chapter opening, there is evidence that process-oriented network governance can have positive effects: horizontal bilateral coordination between the European Commission and Turkey on Nabucco has positively contributed to build a ‘sense of trust’ between high-level officials.⁴⁴ As a result of this,⁴⁵ in September 2009 the Commission started negotiations with Turkey upon accession to the Energy Community Treaty which will be of particular importance in further advancing regulatory alignment with EU energy rules.⁴⁶

Algeria constitutes a highly relevant exception to the continuity between internal and external modes of sectoral governance. Its position as a key North African gas exporter to Europe, the related high bargaining power vis-à-vis the Union as well as its willingness to achieve a more beneficial treatment by the EU led to a different pattern of interaction that is denominated as strategic energy partnership.⁴⁷ In a similar vein, Egypt positions itself towards a mid-way approach which focuses on deepening bilateral energy dialogues while being involved in more horizontal programmes and process-oriented modes of interaction. Again, the Egyptian interests in becoming a key gas provider through the Arab gas pipeline explain this mid-way solution. These cases show that

⁴⁰ L. Carafa (2010), ‘How far does the European Union influence energy sector reform in Southern and Eastern Mediterranean Countries?: Insights from the case of energy sustainability’, Paper presented at the Second Euro-Mediterranean University ReSouk conference, Barcelona, 14 June 2010.

⁴¹ Interview, EU 37.

⁴² Interview, Turkey 4.

⁴³ L. Carafa (2010), ‘When the birds fly together. Analysing conditions of rule extension in the context of EU-Turkey energy cooperation’, ECPR Standing Group on the EU Fifth Pan-European Conference on EU Politics, Porto, 23-26 June 2010.

⁴⁴ Interview, Turkey 7.

⁴⁵ *Ib.*

⁴⁶ European Commission (2009), Turkey 2009 Progress Report, SEC(2009)1334, Brussels, 14 October 2009, page 59.

⁴⁷ H. Darbouche (2008), ‘Decoding Algeria’s ENP Policy: Differentiation by other means’, *Mediterranean Politics*, 13(3): 371-89.

the institutionalist hypothesis alone does not account for these developments. Here, power considerations take centre stage and demonstrate that avenues for horizontal cooperation end when EU rules confront geopolitics of energy. This is the key reason why the Commission and big energy producers generally engage themselves in more bilateral forms of market governance with a loose and blurred focus on EU rules.

ENP-based network governance structures do not only emerge at bilateral level but consolidate also at regional and sub-regional level. Here, functional cooperation takes the shape of information networks, i.e. networks that serves to diffuse policy-relevant knowledge, best practices and ideas among the members.⁴⁸ In September 2006, the Euro-Mediterranean Energy Forum held in Brussels at the level of general directors re-launched the Euro-Mediterranean Energy Partnership. The Euro-Mediterranean Ministerial Conference of Limassol of December 2007 was indeed a turning point for energy cooperation at regional level. A set of regional and sub-regional EC programmes were reinforced and re-framed under the European Neighbourhood and Partnership Instrument (ENPI) since 2007: the Euro-Arab Mashreq Gas Market (EAMGM I and II), Electricity Market Integration (IMMELECT), Mediterranean Energy Market Integration Programme (MED-EMIP), Energy Efficiency in Construction (MED-ENEC I and II) and Mediterranean Regulators (MED-REG I and II). Given its position between the Mediterranean and the Caspian Sea, Turkey is also part of the Baku Initiative and Inogate sub-regional programmes. The overall amount allocated to the Mediterranean region in the period 2007-2010 was €342 million of which about €33 million was earmarked only for energy information networks, thus representing about a 10 percent of the total.⁴⁹ Interestingly, transgovernmental forms of technical assistance that were initially devised to facilitate legislative approximation, regulatory convergence and institution-building in the accession countries, i.e. Twinning, TAIEX (Technical Assistance and Information Exchanges) and SIGMA (Support for Improvement in Governance and

⁴⁸ Lavenex, S. (2008), 'A governance perspective on the European neighbourhood policy: integration beyond conditionality?', *ib.*, page 943.

⁴⁹ European Commission (2008), Euro-Mediterranean Partnership – Regional co-operation: an overview of programmes and projects, available at http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/documents/infonotes_enpisouth_regional_cooperation_en.pdf (accessed on 1 March 2010).

Management),⁵⁰ were extended to the eastern and southern neighbourhood with the advent of the ENP. However, specific activities in the energy sector remain still limited - accounting for a 4 percent of TAIEX activities between 2006-2010, and a 4.4 percent of Twinning projects between 2004-2010 with an average of 1.5 projects per year - and were mostly directed to the eastern neighbourhood (particularly to Ukraine).⁵¹

To this end, the completion of the Single energy market (both as a regulatory, institutional and physically interconnected space) is still ongoing, and the energy *acquis* is a moving output within an evolving policy-making process with prospects for further communitarisation after the entry in force of the Lisbon Treaty. However, the specific role played by the Commission generally assured the continuation of internal modes of energy governance in external governance. Became aware of the reasons for the success of the enlargement machinery, i.e. the *acquis communautaire* as a key instrument of external influence,⁵² the Commission used external relations' policies to externalize energy rules as well as policy-making structures and consequently gained a role as an interlocutor with third countries and private companies which goes well beyond its formal institutional role in the energy field. Another clear example of the Commission's activism is the establishment of the Energy Community Treaty for the South-East Europe, which constitutes a hierarchical form of interaction based on treaty commitment to EU energy *acquis* and equipped with a set of organizational structures (Ministerial Council, Permanent High Level Group, Regulatory Board) as well as a Vienna-based Secretariat ensuring the day-to-day activities.⁵³

Interestingly, the launching of the Mediterranean Solar Plan opens up new windows of opportunity for cooperation with third countries in the southern neighbourhood. Yet, it remains an opened question on if the

⁵⁰ SIGMA is a joint initiative of the EU and the OECD, however principally financed by the EU.

⁵¹ Interview, EU 32, 35. European Commission (2009), Activity Report – Twinning TAIEX and SIGMA within the ENPI, http://ec.europa.eu/europeaid/where/neighbourhood/overview/documents/activity_report_2009_en.pdf (accessed on 1 March 2010).

⁵² A. Magen (2007), 'Transformative Engagement through Law: The *Acquis Communautaire* as an Instrument of EU External Influence', *European Journal of Law Reform*, 9(3): 361-92.

⁵³ S. Renner (2009), "The Energy Community of Southeast Europe: A neo-functional project of regional integration", *European Integration online Papers*, 13, available at http://eiop.or.at/eiop/index.php/eiop/article/view/2009_001a (last accessed on 1 March 2011).

Mediterranean Solar Plan follows these network patterns of external governance and to what extent it structurally addresses the EU-MPCs regulatory gap-problem.

The specific mode of external governance behind the MSP

This sub-section illustrates the existence of a discontinuity between the internal-external mode of sectoral governance and the specific mode of interaction under which the Mediterranean Solar Plan is framed. It explains this discrepancy by arguing that early choices of key member states within the making of the UfM impacted upon the resulting mode of external governance – facts that ultimately constrain the potential and limits of the Mediterranean Solar Plan to reduce the existing regulatory gap between the EU and MPCs. To do so, it refers to the MSP in a more systematic way. That is, studying the MSP as a mode of governance means analysing the whole process and specific actor constellation which led to its emergence and the role actors therein.

Behind the solar plan there is the Trans-Mediterranean Renewable Energy Cooperation Network (TREC) – a partnership between the Club of Rome, the Hamburg Climate Protection Foundation and the National Energy Research Centre of Jordan founded in 2003. In collaboration with scientists of the German Aerospace Centre (DLR), this transnational elite-driven initiative developed the well known Desertec concept, i.e. a vision of a European Union-Middle East and North Africa (EU-MENA) community of shared clean energy and water interests. In Germany, the Desertec concept gained increasing political support thanks of the Greens and was propelled by domestic pioneering renewable energy industry. During the German presidency semester (January-July 2007), the Desertec project become increasingly attractive since European leaders approved a EU-wide target to reach cover 20 percent of their national energy needs from renewable energy sources at the European Council in March 2007. Germany took advantage of its formal role and weight in the Union to reach the above political agreement at the European Council level and propelled the negotiations process that brought to the adoption of the CARE legislative package in April 2009. Among the pieces included in the CARE,⁵⁴ Directive 2009/28/EC on the promotion of the

⁵⁴ The CARE includes the following main directives: directive 2009/29/EC to improve the greenhouse gas emission trading scheme of the community, directive 2009/31/EC on the geological storage of carbon dioxide, directive 2009/28/EC on the promotion of the use of energy from renewable sources, regulation 443/2009/EC setting emission performance standards for new passenger cars as part of the community's integrated approach to reduce CO2 emissions from light-duty vehicles.

use of energy from renewable sources stands out in the present case. In detail, Article 9 allows member states to import green electricity from third countries.

Interestingly, two important facts occurred between March 2007 and April 2009. First, a White Book for Desertec⁵⁵ was presented at the European Parliament in November 2007, and the Desertec concept begun to receive increasing support in Brussels. Second, not only Germany played an important role in this process. Keeping its electoral promise, French President Nicolas Sarkozy paved the idea of a Mediterranean Union (exclusively between the Southern European countries and the MPCs) which was intended to be formalised during the French presidency semester (January-July 2008). But, Germany firmly opposed to this proposal that was to exclude the EU and its Northern member states. Finally, a deal between Sarkozy and German Chancellor Angela Merkel was reached in Hanover in March 2008.⁵⁶ Hence, the Union for the Mediterranean was launched at the Paris summit in July 2008. The initiative was linked to the Euro-Mediterranean Partnership so to bring the EU back in. As the price for German support on this initiative, France included in UfM' Joint Declaration a commitment to develop a Mediterranean Solar Plan.⁵⁷ However, behind the political level there is more than meets the eye. German high officials initially wanted the EU's MSP to play a pivotal role in promoting regulatory convergence between two sides of the Mediterranean. Instead, French technocrats were rather oriented towards a more pragmatic approach⁵⁸ which particularly resembles to what the literature on transition management describes as niche-based transition.⁵⁹ To succeed, in other words, the MSP initially requires niche-pilot projects protected from the dominant fossil fuel-electricity production regime. If these pilot projects are successful, they can provoke a wider change so that a meso-level policy regime would

⁵⁵ Desertec Foundation (2008), *White Book – Clean Power from Deserts: The Desertec Concept for Energy, Water and Climate Security*, available http://www.desertec.org/fileadmin/downloads/DESERTEC-WhiteBook_en_small.pdf (last accessed 12 January 2011).

⁵⁶ Euractiv (2008), 'Germany and France reach agreement on Mediterranean Union', March 5, available at <http://www.euractiv.com/en/enlargement/germany-france-reach-agreement-mediterranean-union/article-170739> (last accessed on 12 January 2011).

⁵⁷ M. Mason (2009), op. cit., page 3.

⁵⁸ Interview, EU 34.

⁵⁹ M. Mason (2009), op. cit.

consolidate. While this strategy makes theoretical sense, its empirical validity is largely questioned.⁶⁰

What is, however, striking is that these early choices made by member states and their administrative sub-units within the making of the UfM indeed had an impact on the resulting sectoral mode of external governance under which the MSP is framed. While network forms of energy governance generally prevail at EU level as well as in the Mediterranean region, the MSP constitutes a very loosely institutionalized form of market governance in which conflicts of interests are mainly solved at interstate level. So far, the German government has been the main European interlocutor with individual MPCs. This was clear especially in the recent case of Algeria. In June 2010, the newly appointed Minister of Energy and Mines Youcef Yousfi declared that Algeria would potentially gave up the European solar project evaluating the possibility of constructing a solar project on its own by collaborating with the Chinese clean energy industry.⁶¹ But during a visit to Berlin by Algerian President Abdelaziz Bouteflika last December, Germany and Algeria expressed the political intention to cooperate more closely on fossil fuels and renewable energy.⁶² Very limited instances of network governance are present. The programme ‘Paving the way for the Mediterranean Solar Plan’ – strongly supported by the Commission – represents the most relevant but uneven element of network governance.⁶³ Established in 2010 with €4.6 million of budget, this programme aims to promote EU-MPCs regulatory convergence. Although EU rules are promoted as a reference model, their use as basis for cooperation as well as its adoption is not binding. Developments in individual MPCs are followed through a rather loose technical (rather than political) monitoring.⁶⁴ Interactions are very loosely centralized so that, again, this programme emerges as a sort of information network.

⁶⁰ F. Berkhout (2008), ‘Innovation theory and sociotechnical transitions’, in J. van den Bergh, and F. R. Bruinsma (Eds.), *Managing the transition to renewable energy: Theory and practice from regional and macro perspectives*, Cheltenham, Edward Elgar: 129-47.

⁶¹ Solar Feeds (2010), ‘China Solar Stocks May Profit from Algeria’s Desertec Rejection’, 30 July, available at <http://www.solarfeeds.com/clean-energy-sector/13656-china-solar-stocks-may-profit-from-algerias-desertec-rejection> (accessed on 12 January 2011).

⁶² NewEurope (2010), ‘Germany, Algeria to cooperate on solar energy, oil & gas’, 12 December, available at <http://www.neweurope.eu/articles/103836.php> (accessed on 12 January 2011).

⁶³ Interview, EU 34-37.

⁶⁴ Interview, EU 34.

The Commission also supports the MSP through its financial commitment to FEMIP (the European Investment Bank's Facility for Euro-Mediterranean Investment and Partnership) and the Neighbourhood Investment Facility.

Furthermore, recent events do not indicate any further development towards network governance. In February 2010, an ad-hoc experts group examined a strategy paper for the Mediterranean Solar Plan which was subsequently endorsed by the Ministers of Energy and heads of delegation of the Union for the Mediterranean member states at the sixth Euro-Mediterranean Ministerial Conference on Energy and Renewable Energy held in Cairo on 2-3 June 2010.⁶⁵ In this occasion, Ministers and heads of delegation also called on the Secretariat to develop a 'master plan' that will define the guidelines for the large scale deployment of renewable energy project under the MSP to be delivered in June 2012 the latest.⁶⁶ After this preparation stage, it hence will begin the deployment phase of the MSP (2012-2020) which will follow a specific road map contained in the master plan - detailing the phases, activities and precise timeline for the implementation of the MSP.⁶⁷ According to the MSP's strategy paper, the master plan should develop an approach covering (among others) the progress of legislative and regulatory reforms for a phased development of renewable energy technology in MPCs.⁶⁸ However, the division of labour between the Secretariat and the experts working on the programme 'Paving the way for the Mediterranean Solar Plan' on this respect is still unclear – thus pointing to an urgent need for a thorough coordination between the Secretariat and all experts involved in the regional platforms mentioned in the previous sub-section.

More importantly, the MSP constitutes by now a specific mode of external governance in which outcomes are the result of inter-MPCs competition over external funding. This paper shows evidence that competition mechanisms at best unleashes a reform dynamic in which MPCs undertake partial regulatory and institutional reforms in order to lock in external funding and long-term power purchase agreements. Yet, outcomes are rarely optimal and EU rules do not constitute the point of reference in these limited processes. In this respect, Morocco is a telling case. The new windows of opportunity opened by the Mediterranean Solar Plan have recently triggered a specific domestic reform pattern

⁶⁵ Council of the European Union (2010), *Note from the General Secretariat of the Council to Delegations*, 9558/10, Brussels, 7 May.

⁶⁶ *Ib.*, page 7.

⁶⁷ *Ib.*, page 13.

⁶⁸ *Ib.*

which aims to tapping the large solar and wind potential at disposal and ‘seize the day’ of increasing external funding devoted to renewable projects by development banks and international donors. With the Renewable Energy Law of 2010,⁶⁹ Morocco set out a legislative framework for the promotion of renewable investments, establishing a procedure for the authorization of renewable energy installations as well as regulating the production, distribution, trade and even the export of green electricity. While financial incentives to renewable energy producers were still under discussion in the parliament in October 2010, a feed-in tariffs model is not yet established by law.⁷⁰ Additionally, Morocco underwent two relevant institutional reforms in the same year. First, a Moroccan Agency for Solar Energy was created by law with the mandate to undertake economic and technical feasibility studies, promote the national activities to the foreign investors and donor community and operate as key contractor for solar energy projects.⁷¹ Second, the pre-existing Centre for the Development of Renewable Energy was transformed by law in to a technical institutional structure re-named as National Agency for the Promotion of Renewable Energy and Energy Conservation with the specific mandate to supervise and coordinate renewable energy and energy efficiency programmes at national and sub-national level.⁷² Two reasons account for this domestic reform pattern. (a) In this country, the renewable sub-sector reform trajectory builds upon a highly positive past experience, i.e. the General Programme for Rural Electrification (1994-2010). A country with modest financial resources to cope with complex energy infrastructure projects, Morocco was able to meet the sufficient legislative and technical standards required at international level as to obtain significant international cooperation financial support for the above programme.⁷³ This positive past experience raised the consciousness of national elites and technocrats in the fact that the donor community may fund projects and help leveraging private investment only if governments take action and

⁶⁹ Ministry of Energy, Mining Water and Environment (2010a), Loi no. 1309 relative aux énergies renouvelables, 11 February 2010.

⁷⁰ See K. Fritzsche, *et. al.* (2011), ‘The relevance of global energy governance for Arab countries: The case of Morocco’, *Energy Policy*, article in press, available at doi:10.1016/j.enpol.2010.11.042 (accessed on 11 February 2011)

⁷¹ Ministry of Energy, Mining Water and Environment (2010c), Loi no. 5709 sur la création de la Société Moroccan Agency For Solar Energy, 14 January 2010.

⁷² Ministry of Energy, Mining Water and Environment (2010b), Loi no. 1609 relative a l’agence nationale pour le développement des énergies renouvelables et de l’efficacité énergétique, 13 January 2010.

⁷³ Interview, Morocco 13.

demonstrate sufficient regulatory and technical capacity.⁷⁴ (b) Lacking the hydrocarbons reserves of its neighbours, Morocco currently imports 94,6% of its energy.⁷⁵ Demand is expected to nearly quadruplicate by 2030.⁷⁶ As a result, Morocco has an ‘urgent need’ to develop its renewable energy capacity and, under the current national energy strategy, intend to cover up to 15% of Morocco’s energy mix from renewable sources by 2020.⁷⁷

To end, the empirical analysis highlights a picture in which the fuzzy nature of EU foreign policy-making and the role of member states therein had a remarkable impact on the resulting sectoral mode of governance in the Mediterranean region – thus enabling and constraining specific patterns of interaction between the EU and MPCs. These dynamics have striking implications in the case of the Mediterranean Solar Plan. Although the MSP points to mid/ long-term objectives – a wide renewable energy transition in the Mediterranean region by 2020 and 2050 – early choices of national governments operating within short-time horizons have produced unintended consequences. At the end of the day, emerging market governance heavily constrains the boundaries of interaction so that the solar plan is unlikely to go beyond a ‘reform by contract’ model in the best case. External governance by ‘competitive pressure’ is not sufficient to provoke a wide renewable energy transition in the Mediterranean region and is hardly steerable. Thus, a far more ‘coordinated’ pressure is needed to overcome the EU-MCNs regulatory barriers behind the implementation of the solar plan.

5. Conclusion

The academia and policy making are generally regarded as two distinct worlds. Effort by scholars and practitioners is often disconnected and dispersed. However, theory has the potential to illuminate different sets of empirical facts. This may help policy-makers to take well-informed decisions. Moreover, empirical analysis is the ground in which theory can be tested and further developed. Guided by these beliefs, this paper has sought to bridge over theory and policy with the objective of (i) contributing to the debate on external governance and (ii) advancing the

⁷⁴ Ibidem.

⁷⁵ Interview, Morocco 19.

⁷⁶ Ibidem.

⁷⁷ Interview, Morocco 12-15.

debate on the state and prospects for a renewable energy transition in the Mediterranean region.

This paper has investigated the emergence of the Mediterranean Solar Plan as an external mode of sectoral governance and the role of agency therein. Importantly, this paper has scrutinized the implications of this in external governance and the resulting capacity of the solar plan to thoroughly manage the EU-MPCs regulatory gap-problem and boost a wide institutional and regulatory reform dynamic in this region. Three outcomes are easy to detect. (a) Although network forms of energy governance generally prevail in the EU and the Mediterranean region, the MSP emerges as a very loosely institutionalized form of market governance in which political interaction and outcomes are the result of inter-MPCs competition over external funding. (b) Competitive pressure at best unleashes a reform dynamic in which individual MPCs undertake partial regulatory and institutional reforms in order to lock in external funding and long-term power purchase agreements. In other words, market governance heavily constrains the boundaries of action and interaction so that the MSP can not go beyond the model of 'reform by contract'. (c) The discontinuity between the internal-external mode of energy governance and the specific MSP's sectoral mode of external governance is attributed to early choices of key member states (France and Germany) within the making of the UfM which ultimately impacted on the resulting sectoral patterns of external governance, thus constraining the potential and limits of the Mediterranean Solar Plan to reduce the EU-MPCs regulatory gap.

What do these findings imply for the policy debate on the Mediterranean Solar Plan? This paper shows that external governance by competitive pressure is far to provoke a wide renewable energy transition in the Mediterranean region. These findings highlight the need for EU-MENA renewable cooperation to move on more institutionalised and coordinated forms of interaction. What do these findings imply for external governance theory? This paper points out two avenues for further research. First, the role of member states and its impact on sectoral modes of external governance undoubtedly merit to be further explored. Second, the proposed structurationist perspective on external governance deserves attention and could further explain the continuities but also the discontinuities between the internal and external modes of governance across countries, regions and policy fields. To conclude, this paper also points out that external governance theories demonstrate to be well-suited not only to 'causally' explaining the disaggregated and sectorally differentiated scope of EU external relations and power. External governance also suites well for analyzing the structural potential

and limits of a given sectoral mode of interaction between the EU and third countries.

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